



uPhongolo Municipality
Financial statements
for the year ended 30 June 2013

uPhongolo Municipality

Financial Statements for the year ended 30 June 2013

General Information

Nature of business and principal activities

Mayor

Deputy Mayor

Municipal Public Accounts Committee - Chairperson

Municipal Portfolio Committee Chairperson - Finance

Municipal Portfolio Committee Chairperson - Technical Service

Municipal Portfolio Committee Chairperson - Community

Municipal Portfolio Committee Chairperson - Human Resource

Councillors

Provision of municipal services to the community of uPhongolo

Cllr MM Hadebe

Cllr JB Ngema

Cllr K E Nxumalo

Cllr MM Hadebe

Cllr JB Ngema

Cllr MB Makhoba

Cllr MM Hadebe

Cllr F F Simelane

Cllr N J Mkhwanazi

Cllr M J Phakathi

Cllr E N Buthelezi

Cllr M J Dlamini

Cllr N P Mavuso

Cllr M P Khumalo

Cllr M C Nkumane

Cllr S R Simelane

Cllr H V Ngcamphalala

Cllr Z L Nxumalo

M S Mntungwa

Cllr D Nyawo

Cllr N T Gumbi

Cllr M M Hadebe

Cllr J B Ngema

Cllr M B Makhoba

Cllr A Z Thabethe

Cllr C N Mavundla

Cllr N M Mkhwanazi

Cllr J P Ngwenya

Cllr M M Mntungwa

Cllr B H Nkosi

Cllr J C Theron

Cllr K E Nxumalo

Cllr B C Nhlabathi

Cllr B Mvelase

Grading of local authority

Grade 3

Accounting Officer

N M Mabaso

Chief Finance Officer (CFO)

M R Mthethwa

Business address

Municipal Office
61 Martin Street
Pongola
3170

Postal address

P.O. Box 191
Pongola
3170

uPhongolo Municipality

Financial Statements for the year ended 30 June 2013

General Information

Bankers

First National Bank of South Africa
ABSA

Auditors

Auditor General South Africa

Attorneys

J H Smith Attorneys

uPhongolo Municipality

Financial Statements for the year ended 30 June 2013

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Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The financial statements set out on page 1 to 57, which have been prepared on the going concern basis, were approved by the accounting officer on 30 August 2013 and were signed on its behalf by:

N M Mabaso
Accounting Officer

uPhongolo Municipality

Financial Statements for the year ended 30 June 2013

Statement of Financial Position as at 30 June 2013

	Note(s)	2013 R	2012 Restated R
Assets			
Current Assets			
Inventories	9	138 476	133 347
Trade and other receivables	10	4 301 426	4 344 981
Consumer debtors	11	34 173 962	25 018 614
Assets held for sale	8	8 980 000	8 980 000
Cash and cash equivalents	12	23 401 728	16 175 298
		70 995 592	54 652 240
Non-Current Assets			
Investment property	3	88 094 749	88 094 749
Property, plant and equipment	4	118 669 917	101 064 640
Intangible assets	5	72 432	126 970
Heritage assets	6	77 560	77 560
Long term debtors		351 894	687 673
		207 266 552	190 051 592
Total Assets		278 262 144	244 703 832
Liabilities			
Current Liabilities			
Finance lease obligation	13	1 412 340	1 405 241
Trade and other payables	17	16 232 433	20 669 654
VAT payable	18	3 757 888	4 233 724
Unspent conditional grants and receipts	14	6 042 579	5 445 283
Provisions	15	1 137 498	650 255
Current portion of external loans	16	1 234 524	1 059 097
		29 817 262	33 463 254
Non-Current Liabilities			
Finance lease obligation	13	1 271 819	2 005 128
Retirement benefit obligation	7	2 600 669	2 530 143
Provisions	15	3 861 700	3 677 810
External loans	16	845 281	2 430 134
Revenue received in advance - Land sales		1 040 046	1 947 377
		9 619 515	12 590 592
Total Liabilities		39 436 777	46 053 846
Net Assets		238 825 367	198 649 986
Net Assets			
Accumulated surplus		238 825 367	198 649 986

uPhongolo Municipality

Financial Statements for the year ended 30 June 2013

Statement of Financial Performance

		2013	2012
	Note(s)	R	Restated R
Revenue			
Service charges	21	28 899 899	23 233 567
Rental of facilities and equipment		577 763	394 131
Interest received (trading)		3 281 996	2 797 003
Agency fees		706 038	610 332
Licences and permits		2 142 991	2 330 089
Donation asset		-	17 000
Other income		2 991 520	659 565
Fines		329 496	188 870
Interest received - investment		1 043 223	1 068 721
Property rates	20	14 051 255	10 952 387
Government grants & subsidies	22	85 101 910	82 224 387
Total revenue		139 126 091	124 476 052
Expenditure			
Employee Related Costs	26	(33 774 320)	(27 832 084)
Remuneration of councillors	27	(5 996 633)	(5 841 993)
Contributions to provisions		(983 855)	(2 298 937)
Depreciation and amortisation	30	(3 975 026)	(2 973 961)
Impairment of assets		(340 220)	-
Finance costs	31	(617 101)	(749 337)
Debt impairment	28	(2 185 231)	(3 569 119)
Collection costs		(255 056)	(843 069)
Repairs and maintenance		(5 491 098)	(3 583 036)
Bulk purchases		(19 133 061)	(15 616 520)
Contracted services		(9 157 331)	(6 236 551)
Grants and subsidies paid		(2 690 716)	(2 190 126)
General Expenses	24	(18 016 045)	(14 665 291)
Total expenditure		(102 615 693)	(86 400 024)
Operating surplus	25	36 510 398	38 076 028
Loss on disposal of assets		-	646 112
Fair value adjustments		-	16 610
		-	662 722
Surplus for the year		36 510 398	38 738 750
Attributable to:			
Owners of the controlling entity		36 510 398	38 738 750

uPhongolo Municipality

Financial Statements for the year ended 30 June 2013

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Balance at 01 July 2011	161 570 069	161 570 069
Changes in net assets		
Corrections of error adjustment	(794 921)	(794 921)
Net income (losses) recognised directly in net assets	(794 921)	(794 921)
Surplus for the year	38 738 750	38 738 750
Total recognised income and expenses for the year	37 943 829	37 943 829
Total changes	37 943 829	37 943 829
Opening balance as previously reported	201 812 220	201 812 220
Adjustments		
Prior year adjustments (Refer to note 35)	(863 915)	(863 915)
Balance at 01 July 2012 as restated	198 649 983	198 649 983
Changes in net assets		
Surplus for the year	36 510 398	36 510 398
Adjustments to current period	3 664 986	3 664 986
Total changes	40 175 384	40 175 384
Balance at 30 June 2013	238 825 367	238 825 367

uPhongolo Municipality

Financial Statements for the year ended 30 June 2013

Cash Flow Statement

	Note(s)	2013 R	2012 Restated R
Cash flows from operating activities			
Receipts			
Other Income		49 677 452	37 882 366
Grants		85 101 910	82 224 388
Interest income		4 346 729	3 865 724
		139 126 091	123 972 478
Payments			
Employee costs		(39 770 953)	(34 067 903)
Suppliers		(69 411 797)	(61 767 152)
Finance costs		(617 101)	(749 337)
		(109 799 851)	(96 584 392)
Net cash flows from operating activities	33	29 326 240	27 388 086
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(19 127 369)	(35 381 817)
Proceeds from sale of investment property	3	-	646 112
Purchase of other intangible assets	5	-	(67 057)
Long term loans		335 779	-
Movement in Housing debtors		-	3 262 979
Purchase of assets held for sale		-	17 000
Proceeds from sale of assets held for sale		-	1 350 000
Net cash flows from investing activities		(19 127 369)	(30 172 783)
Cash flows from financing activities			
Movement in external loans		(1 409 426)	(729 485)
Movement in post retirement benefits - medical aid		70 526	-
Movement in revenue received in advance - land sales		(907 331)	299 271
Finance lease payments		(726 210)	3 981 515
Net cash flows from financing activities		(2 972 441)	3 551 301
Net increase/(decrease) in cash and cash equivalents		7 226 430	766 604
Cash and cash equivalents at the beginning of the year		16 175 298	15 408 694
Cash and cash equivalents at the end of the year	12	23 401 728	16 175 298

uPhongolo Municipality

Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R
	R	R	R	R	R

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	26 723 000	903 000	27 626 000	28 899 899	1 273 899
Rental of facilities and equipment	780 000	43 000	823 000	577 763	(245 237)
Interest received (trading)	1 867 000	1 324 000	3 191 000	3 281 996	90 996
Income from agency services	491 000	152 000	643 000	706 038	63 038
Licences and permits	2 192 000	-	2 192 000	2 142 991	(49 009)
Other income	459 000	1 111 000	1 570 000	2 991 520	1 421 520
Fines	25 000	329 000	354 000	329 496	(24 504)
Interest received - investment	-	1 244 498	1 244 498	1 043 223	(201 275)
Total revenue from exchange transactions	32 537 000	5 106 498	37 643 498	39 972 926	2 329 428

Revenue from non-exchange transactions

Taxation revenue

Property rates	11 945 000	-	11 945 000	14 051 255	2 106 255
Government grants & subsidies	65 398 000	31 249 000	96 647 000	85 101 910	(11 545 090)
Total revenue from non-exchange transactions	77 343 000	31 249 000	108 592 000	99 153 165	(9 438 835)
Total revenue	109 880 000	36 355 498	146 235 498	139 126 091	(7 109 407)

Expenditure

Personnel	(32 608 000)	(174 000)	(32 782 000)	(33 774 320)	(992 320)
Remuneration of councillors	(5 804 370)	-	(5 804 370)	(5 996 633)	(192 263)
Contributions to provisions	(217 996)	-	(217 996)	(983 855)	(765 859)
Depreciation and amortisation	(3 620 000)	-	(3 620 000)	(3 975 026)	(355 026)
Impairment loss/ Reversal of impairments	-	-	-	(340 220)	(340 220)
Finance costs	(2 114 000)	1 163 000	(951 000)	(617 101)	333 899
Debt impairment	(5 981 000)	4 684 000	(1 297 000)	(2 185 231)	(888 231)
Collection costs	210 220	-	210 220	(255 056)	(465 276)
Repairs and maintenance	(5 884 105)	-	(5 884 105)	(5 491 098)	393 007
Bulk purchases	(19 555 824)	-	(19 555 824)	(19 133 061)	422 763
Contracted Services	(9 145 000)	(334 000)	(9 479 000)	(9 157 331)	321 669
Grants and subsidies paid	(3 294 000)	(260 000)	(3 554 000)	(2 690 716)	863 284
General Expenses	22 825 086	-	22 825 086	(16 777 134)	(39 602 220)
Contribution to provision	-	-	-	(983 855)	(983 855)
Collection cost	-	-	-	(255 056)	(255 056)
Total expenditure	(65 188 989)	5 079 000	(60 109 989)	(102 615 693)	(42 505 704)
Surplus before taxation	(65 188 989)	5 079 000	(60 109 989)	36 510 398	96 620 387
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(65 188 989)	5 079 000	(60 109 989)	36 510 398	96 620 387

uPhongolo Municipality

Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R
	R	R	R	R	R

Statement of Financial Position

Assets

Current Assets

Inventories	187 000	8 926 000	9 113 000	138 476	(8 974 524)
Trade and other receivables	778 000	461 000	1 239 000	4 301 426	3 062 426
Consumer debtors	9 256 000	975 000	10 231 000	34 173 962	23 942 962
Assets held for sale	-	-	-	8 980 000	8 980 000
Cash and cash equivalents	1 910 000	17 590 000	19 500 000	23 401 728	3 901 728
	12 131 000	27 952 000	40 083 000	70 995 592	30 912 592

Non-Current Assets

Investment property	104 517 000	(16 422 000)	88 095 000	88 094 749	(251)
Property, plant and equipment	72 910 000	80 632 000	153 542 000	118 669 917	(34 872 083)
Intangible assets	141 000	(15 000)	126 000	72 432	(53 568)
Heritage assets	-	-	-	77 560	77 560
Long term debtors	-	-	-	351 894	351 894
	177 568 000	64 195 000	241 763 000	207 266 552	(34 496 448)

Total Assets	189 699 000	92 147 000	281 846 000	278 262 144	(3 583 856)
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Liabilities

Current Liabilities

Finance lease obligation	2 813 000	(349 000)	2 464 000	1 412 340	(1 051 660)
Trade and other payables	900 000	18 396 000	19 296 000	16 232 433	(3 063 567)
VAT payable	-	-	-	3 757 888	3 757 888
Unspent conditional grants and receipts	-	-	-	6 042 579	6 042 579
Provisions	-	-	-	1 137 498	1 137 498
Current portion of external loans	-	-	-	1 234 524	1 234 524
	3 713 000	18 047 000	21 760 000	29 817 262	8 057 262

Non-Current Liabilities

Finance lease obligation	7 094 000	(884 000)	6 210 000	1 271 819	(4 938 181)
Retirement benefit obligation	-	-	-	2 600 669	2 600 669
Provisions	4 488 000	2 134 000	6 622 000	3 861 700	(2 760 300)
External loans	-	-	-	845 281	845 281
Revenue received in advance - Land sales	-	-	-	1 040 046	1 040 046
	11 582 000	1 250 000	12 832 000	9 619 515	(3 212 485)

Total Liabilities	15 295 000	19 297 000	34 592 000	39 436 777	4 844 777
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Net Assets	174 404 000	72 850 000	247 254 000	238 825 367	(8 428 633)
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Net Assets

Net Assets Attributable to Owners of Controlling Entity

Reserves

Accumulated surplus	180 526 000	66 728 000	247 254 000	238 825 368	(8 428 632)
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uPhongolo Municipality

Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R
	R	R	R	R	R
Total Net Assets	180 526 000	66 728 000	247 254 000	238 825 368	(8 428 632)

uPhongolo Municipality

Financial Statements for the year ended 30 June 2013

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual R
	R	R	R	R	R

Cash Flow Statement

Cash flows from operating activities

Receipts

Ratepayers and other	38 039 000	6 224 000	44 263 000	49 677 000	5 414 000
Grants - operating	63 399 000	652 000	64 051 000	63 318 000	(733 000)
Grants - Capital	19 352 000	13 244 000	32 596 000	21 783 000	(10 813 000)
Interest income	3 007 000	(1 762 000)	1 245 000	4 346 729	3 101 729
	123 797 000	18 358 000	142 155 000	139 124 729	(3 030 271)

Payments

Suppliers	(95 650 000)	(3 082 000)	(98 732 000)	(109 181 000)	(10 449 000)
Finance costs	(1 833 000)	882 000	(951 000)	(617 000)	334 000
	(97 483 000)	(2 200 000)	(99 683 000)	(109 798 000)	(10 115 000)

Net cash flows from operating activities	26 314 000	16 158 000	42 472 000	29 326 729	(13 145 271)
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Cash flows from investing activities

Purchase of financial assets	(24 658 000)	(14 743 000)	(39 401 000)	(19 127 000)	20 274 000
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Cash flows from financing activities

Short term loans	-	-	-	335 790	335 790
Finance lease payments	(2 646 000)	-	(2 646 000)	(2 954 490)	(308 490)
Finance lease receipts	2 900 000	-	2 900 000	-	(2 900 000)

Net cash flows from financing activities	254 000	-	254 000	(2 954 490)	(3 208 490)
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Net increase/(decrease) in cash and cash equivalents	1 910 000	1 415 000	3 325 000	7 245 239	3 920 239
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Cash and cash equivalents at the beginning of the year	2 179 000	13 996 000	16 175 000	16 175 000	-
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Cash and cash equivalents at the end of the year	4 089 000	15 411 000	19 500 000	23 420 239	3 920 239
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Reconciliation

uPhongolo Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Accounting Policies

1.2 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measure that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity apply the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Accounting Policies

1.3 Property, plant and equipment (continued)

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Property, plant and equipment are depreciated on the over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Land	Indefinite
Buildings	30 years
Plant and machinery	5 years
Furniture and fixtures	1 - 5 years
Motor vehicles	5 years
Office equipment	5 years
IT equipment	5 years
Infrastructure	
• Roads	20 years
• Electricity	20 - 30 years
• Solid Waste	0 years
Community	
• Buildings	30 years
• Recreational facilities	20 - 30 years
• Security	5 years
Other property, plant and equipment	20 - 30 years
Tools and loose gear	1 - 5 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Accounting Policies

1.3 Property, plant and equipment (continued)

Items of municipality are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the municipality.

1.4 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

Recoverable amount is the higher of a cash-generating asset's net selling price and its value in use.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Value in use of a non-cash-generating asset is the present value of the asset's remaining service potential.

1.5 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

Accounting Policies

1.5 Intangible assets (continued)

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	3 years

1.6 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Accounting Policies

1.6 Financial instruments (continued)

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

Changes in the fair value of derivative financial instruments are recognised in surplus or deficit as they arise.

Derivatives are classified as financial assets at fair value through surplus or deficit - held for trading.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

Accounting Policies

1.6 Financial instruments (continued)

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
 - has transferred substantially all the risks and rewards of the asset, or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the municipality could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the municipality's continuing involvement is the amount of the transferred asset that the municipality may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

Impairment of financial assets

The municipality assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

Assets are carried at amortised cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in surplus or deficit. The municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Accounting Policies

1.7 Leases (continued)

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Accounting Policies

1.9 Impairment of cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.10 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:
[Specify criteria]

1.11 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Accounting Policies

1.11 Employee benefits (continued)

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Retirement funds

The municipality contributes towards retirement benefits of its employees and councillors to the under-mentioned pension funds:

- Joint Municipal pension fund
- Municipal employees Pension Fund
- Municipal Gratuity Fund
- SALA Pension Fund

Councillors are members of the Municipal Councillor's Pension Fund that was established in terms of the Remuneration of Public Office Bearers Act 1998 (Act 20 of 1998).

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Post employment medical care benefits

The municipality provides post-retirement medical care benefits by subsidising the medical aid contributions to retired employees and their legitimate spouses. The entitlement to post-retirement medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The expected cost, of these benefits is accrued over the period of employment.

Post employment medical care benefits are accounted for in accordance with the transitional arrangements in directive 3 as issued by the ASB.

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

Accounting Policies

1.12 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of a activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 35.

Accounting Policies

1.12 Provisions and contingencies (continued)

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

1.14 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

1.15 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.16 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

Accounting Policies

1.17 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.18 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Accounting Policies

1.20 Irregular expenditure (continued)

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No.20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 Use of estimates

The preparation of financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the relevant sections of the financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.22 Presentation of currency

These financial statements are presented in South African Rand.

1.23 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.24 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.25 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.26 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2012/07/01 to 2013/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.27 Value added tax

The municipality accounts for Value Added Tax on the payment basis.

uPhongolo Municipality

Financial Statements for the year ended 30 June 2013

Accounting Policies

1.28 Taxation

The uPhongolo Local Municipality is exempted from tax in terms of Section 10(1)cB(i)(ff) of the Income Tax Act.

uPhongolo Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
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2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

2.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2013 or later periods:

GRAP 23: Revenue from Non-exchange Transactions

Revenue from non-exchange transactions arises when an entity receives value from another entity without directly giving approximately equal value in exchange. An asset acquired through a non-exchange transaction shall initially be measured at its fair value as at the date of acquisition.

This revenue will be measured at the amount of increase in net assets recognised by the municipality.

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is recognised for the same inflow. As an entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it will reduce the carrying amount of the liability recognised as recognise an amount equal to that reduction.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 financial statements.

GRAP 24: Presentation of Budget Information in the Financial Statements

Subject to the requirements of paragraph .19, an entity shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the municipality is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and financial statements on a comparable basis, it includes the comparison as an additional column in the primary financial statements. Where the budget and financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

Notes to the Financial Statements

2. New standards and interpretations (continued)

The municipality expects to adopt the standard for the first time in the 2013 financial statements.

GRAP 103: Heritage Assets

Grp 103 defines heritage assets as assets which have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

A heritage asset should be recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

The standard required judgment in applying the initial recognition criteria to the specific circumstances surrounding the entity and the assets.

Grp 103 states that a heritage asset should be measured at its cost unless it is acquired through a non-exchange transaction which should then be measured at its fair value as at the date of acquisition.

In terms of the standard, an entity has a choice between the cost and revaluation model as accounting policy for subsequent recognition and should apply the chosen policy to an entire class of heritage assets.

The cost model requires a class of heritage assets to be carried at its cost less any accumulated impairment losses.

The revaluation model required a class of heritage assets to be carried at its fair value at the date of the revaluation less any subsequent impairment losses. The standard also states that a restriction on the disposal of a heritage asset does not preclude the entity from determining the fair value.

Grp 103 prescribes that when determining the fair value of a heritage asset that has more than one purpose, the fair value should reflect both the asset's heritage value and the value obtained from its use in the production or supply of goods or services or for administrative purposes.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase should be credited directly to a revaluation surplus. However, the increase should be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease should be recognised in surplus or deficit. However, the decrease should be debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Grp 103 states that a heritage asset should not be depreciated but an entity should assess at each reporting date whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

For a transfer from heritage assets carried at a revalued amount to property, plant and equipment, investment property, inventories or intangible assets, the asset's deemed cost for subsequent accounting should be its revalued amount at the date of transfer. The entity should treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. If an item of property, plant and equipment or an intangible asset carried at a revalued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a revalued amount, the entity applies the applicable Standard of GRAP to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard of GRAP relating to that asset. For a transfer from investment property carried at fair value, or inventories to heritage assets at a revalued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

The carrying amount of a heritage asset should be derecognised:

- on disposal, or

Notes to the Financial Statements

2. New standards and interpretations (continued)

- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 financial statements.

GRAP 21: Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

An municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, an entity estimates the recoverable service amount of the asset.

The present value of the remaining service potential of a non-cash-generating asset is determined using one of the following approaches:

- Depreciated replacement cost approach
- Restoration cost approach
- Service units approach

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

An municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, an entity estimates the recoverable service amount of that asset.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 financial statements.

GRAP 104: Financial Instruments

The standard prescribes recognition, measurement, presentation and disclosure requirements for financial instruments. Financial instruments are defined as those contracts that results in a financial asset in one municipality and a financial liability or residual interest in another municipality. A key distinguishing factor between financial assets and financial liabilities and other assets and liabilities, is that they are settled in cash or by exchanging financial instruments rather than through the provision of goods or services.

One of the key considerations in initially recognising financial instruments is the distinction, by the issuers of those instruments, between financial assets, financial liabilities and residual interests. Financial assets and financial liabilities are distinguished from residual interests because they involve a contractual right or obligation to receive or pay cash or another financial instrument. Residual interests entitle an municipality to a portion of another municipality's net assets in the event of liquidation and, to dividends or similar distributions paid at management's discretion.

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, an municipality considers the substance of the contract and not just the legal form.

Notes to the Financial Statements

2. New standards and interpretations (continued)

Where a single instrument contains both a liability and a residual interest component, the issuer allocates the instrument into its component parts. The issuer recognises the liability component at its fair value and recognises the residual interest as the difference between the carrying amount of the instrument and the fair value of the liability component. No gain or loss is recognised by separating the instrument into its component parts.

Financial assets and financial liabilities are initially recognised at fair value. Where an municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transactions costs are included in the cost of the asset or liability.

The transaction price usually equals the fair value at initial recognition, except in certain circumstances, for example, where interest free credit is granted or where credit is granted at a below market rate of interest.

Concessionary loans are loans either received by or granted to another municipality on concessionary terms, e.g. at low interest rates and flexible repayment terms. On initial recognition, the fair value of a concessionary loan is the present value of the agreed contractual cash flows, discounted using a market related rate of interest for a similar transaction. The difference between the proceeds either received or paid and the present value of the contractual cash flows is accounted for as non-exchange revenue by the recipient of a concessionary loan in accordance with Standard of GRAP on Revenue from Non-exchange Revenue Transactions (Taxes and Transfers), and using the Framework for the Preparation and Presentation of Financial Statements (usually as an expense) by the grantor of the loan.

Financial assets and financial liabilities are subsequently measured either at fair value or, amortised cost or cost. An municipality measures a financial instrument at fair value if it is:

- a derivative;
- a combined instrument designated at fair value, i.e. an instrument that includes a derivative and a non-derivative host contract;
- held-for-trading;
- a non-derivative instrument with fixed or determinable payments that is designated at initial recognition to be measured at fair value;
- an investment in a residual interest for which fair value can be measured reliably; and
- other instruments that do not meet the definition of financial instruments at amortised cost or cost.

Derivatives are measured at fair value. Combined instruments that include a derivative and non-derivative host contract are accounted for as follows:

- Where an embedded derivative is included in a host contract which is a financial instrument within the scope of this Standard, an entity can designate the entire contract to be measured at fair value or, it can account for the host contract and embedded derivative separately using GRAP 104. An municipality is however required to measure the entire instrument at fair value if the fair value of the derivative cannot be measured reliably.
- Where the host contract is not a financial instrument within the scope of this Standard, the host contract and embedded derivative are accounted for separately using GRAP 104 and the relevant Standard of GRAP.

Financial assets and financial liabilities that are non-derivative instruments with fixed or determinable payments, for example deposits with banks, receivables and payables, are measured at amortised cost. At initial recognition, an municipality can however designate such an instrument to be measured at fair value.

An municipality can only measure investments in residual interests at cost where the fair value of the interest cannot be determined reliably.

Once an municipality has classified a financial asset or a financial liability either at fair value or amortised cost or cost, it is only allowed to reclassify such instruments in limited instances.

An entity derecognises a financial asset, or the specifically identified cash flows of an asset, when:

- the cash flows from the asset expire, are settled or waived;
- significant risks and rewards are transferred to another party; or
- despite having retained significant risks and rewards, an municipality has transferred control of the asset to another municipality.

An municipality derecognises a financial liability when the obligation is extinguished. Exchanges of debt instruments between a borrower and a lender are treated as the extinguishment of an existing liability and the recognition of a new financial liability. Where an municipality modifies the term of an existing financial liability, it is also treated as the extinguishment of an existing liability and the recognition of a new liability.

Notes to the Financial Statements

2. New standards and interpretations (continued)

An municipality cannot offset financial assets and financial liabilities in the statement of financial position unless a legal right of set-off exists, and the parties intend to settle on a net basis.

GRAP 104 requires extensive disclosures on the significance of financial instruments for an municipality's statement of financial position and statement of financial performance, as well as the nature and extent of the risks that an municipality is exposed to as a result of its financial statements. Some disclosures, for example the disclosure of fair values for instruments measured at amortised cost or cost and the preparation of a sensitivity analysis, are encouraged rather than required.

GRAP 104 does not prescribe principles for hedge accounting. An municipality is permitted to apply hedge accounting, as long as the principles in IAS 39 are applied.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2012.

The municipality expects to adopt the standard for the first time in the 2013 financial statements.

The aggregate impact of the initial application of the statements and interpretations on the municipality's financial statements is expected to be as follows:

3. Investment property

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	88 094 749	-	88 094 749	88 094 749	-	88 094 749

uPhongolo Municipality

Financial Statements for the year ended 30 June 2013

3. Investment property (continued)

Reconciliation of investment property - 2013

	Opening balance	Total
Investment property	88 094 749	88 094 749

Reconciliation of investment property - 2012

	Opening balance	Total
Investment property	88 094 749	88 094 749

Fair value of investment properties	88 094 749	88 094 749
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Restrictions on the realisability of investment property or the remittance of revenue and proceeds of disposal are as follows:

Contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements is as follows:

In the exceptional cases when the municipality have to measure investment property using the cost model in the Standard of GRAP on Property, Plant and Equipment when the municipality subsequently uses the fair value measurement, disclose the following:

- a description of the investment property,
- an explanation of why fair value cannot be determined reliably,
- if possible, the range of estimates within which fair value is highly likely to lie, and
- on disposal of investment property not carried at fair value:
 - the fact that the entity has disposed of investment property not carried at fair value,
 - the carrying amount of that investment property at the time of sale, and
 - the amount of gain or loss recognised.

uPhongolo Municipality

Financial Statements for the year ended 30 June 2013

4. Property, plant and equipment

	2013			2012		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	8 724 885	-	8 724 885	8 715 919	-	8 715 919
Buildings	12 844 056	(6 263 226)	6 580 830	12 853 302	(5 837 224)	7 016 078
Plant and machinery	4 215 553	(828 451)	3 387 102	6 149 531	(1 236 256)	4 913 275
Furniture and fixtures	1 985 631	(760 294)	1 225 337	2 421 177	(1 546 934)	874 243
Motor vehicles	5 118 570	(1 255 348)	3 863 222	2 172 829	(796 471)	1 376 358
IT equipment	1 018 441	(422 514)	595 927	844 984	(561 086)	283 898
Infrastructure	63 119 524	(11 230 952)	51 888 572	63 119 524	(9 126 967)	53 992 557
Capital work in progress	42 404 042	-	42 404 042	23 892 312	-	23 892 312
Total	139 430 702	(20 760 785)	118 669 917	120 169 578	(19 104 938)	101 064 640

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Transfers	Other changes, movements	Depreciation	Impairment loss	Total
Land	8 715 919	8 966	-	-	-	-	8 724 885
Buildings	7 016 078	-	-	(9 244)	(426 004)	-	6 580 830
Plant and machinery	4 913 275	143 950	-	(932 504)	(468 633)	(268 986)	3 387 102
Furniture and fixtures	874 243	205 253	(4 914)	463 319	(283 587)	(28 977)	1 225 337
Motor vehicles	1 376 358	-	-	3 019 263	(498 955)	(33 444)	3 863 222
IT equipment	283 898	257 470	-	220 893	(157 521)	(8 813)	595 927
Infrastructure	53 992 557	-	-	-	(2 103 985)	-	51 888 572
Capital work in progress	23 892 312	18 511 730	-	-	-	-	42 404 042
	101 064 640	19 127 369	(4 914)	2 761 727	(3 938 685)	(340 220)	118 669 917

uPhongolo Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
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4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Transfers	Fair value adjustments	Depreciation	Total
Land	8 715 919	-	-	-	-	8 715 919
Buildings	7 437 506	-	9 247	-	(439 919)	7 006 834
Plant and machinery	1 281 630	3 940 680	-	1 113	(310 148)	4 913 275
Furniture and fixtures	1 113 305	42 201	-	15 497	(296 760)	874 243
Motor vehicles	518 890	1 007 334	-	-	(149 866)	1 376 358
IT equipment	366 472	35 640	-	-	(118 214)	283 898
Infrastructure	46 050 683	-	9 501 700	-	(1 559 826)	53 992 557
Capital work in progress	3 047 297	30 355 962	(9 510 947)	-	-	23 892 312
	68 531 702	35 381 817	-	16 610	(2 874 733)	101 055 396

uPhongolo Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
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5. Intangible assets

	2013			2012		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	241 845	(169 413)	72 432	277 783	(150 813)	126 970

Reconciliation of intangible assets - 2013

	Opening balance	Other changes, movements	Amortisation	Total
Computer software, other	126 970	(18 194)	(36 344)	72 432

Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Computer software, other	102 041	67 057	(42 128)	126 970

6. Heritage assets

	2013			2012		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Art Collections, antiquities and exhibits	77 560	-	77 560	77 560	-	77 560

Reconciliation of heritage assets 2013

	Opening balance	Total
Art Collections, antiquities and exhibits	77 560	77 560

uPhongolo Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
7. Employee benefit obligations		
Defined benefit plan		
Defined benefit obligation		
Opening balance	245 764	254 963
Service cost	36 584	38 067
Interest cost	18 024	21 672
Actuarial gains or losses	47 330	(68 938)
Benefits paid	(10 893)	-
	336 809	245 764

The amounts recognised in the statement of financial position are as follows:

Projected benefit obligation	336 809	245 764
Amount recognised in profit and loss		
Service cost	36 584	38 067
Interest cost	18 024	21 672
Actuarial loss recognised	47 330	(68 938)
	101 938	(9 199)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	7.75 %	7.50 %
Salary inflation	6.75 %	6.00 %

Post employment medical benefit

Included in defined contribution plan information above, is the following plan(s) which is (are) a Multi-Employer Funds and is (are) a Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plan(s) as a defined benefit plan(s). The municipality accounted for this (these) plan(s) as a defined contribution plan(s):

Defined benefit obligation		
Opening balance	2 284 379	2 148 381
Interest cost	165 889	177 067
Actuarial (Gains/Loss)	295 439	89 412
Benefits paid	(145 039)	(130 481)
	2 600 668	2 284 379

Net expense recognised in the statement of financial position

Project benefit obligation	2 600 668	2 284 378
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Net expense recognised in the statement of financial performance

Interest	165 889	177 067
Actuarial loss/gain recognised	295 439	89 412
	461 328	266 479

uPhongolo Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
7. Employee benefit obligations (continued)		
Key assumptions used		
Assumptions used at the reporting date:		
Discount rate	7.75 %	7.50 %
Medical aid inflation	7.25 %	6.50 %
8. Assets held for sale		
Properties held for sale	8 980 000	8 980 000
9. Inventories		
Consumable stores	138 476	133 347
10. Trade and other receivables		
Deposits	-	363 096
Other receivables	-	875 947
Prepaid expenses	427 500	204 440
Accrued electricity	932 015	-
Other debtors	2 941 911	2 901 498
	4 301 426	4 344 981

uPhongolo Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
11. Consumer debtors		
Gross balances		
Rates	29 039 901	23 789 209
Electricity	4 584 872	3 869 950
Refuse	30 462 246	26 012 052
Other	5 958 334	5 033 562
	70 045 353	58 704 773
Less: Allowance for impairment		
Rates, electricity and refuse	(35 871 391)	(33 686 159)
Net balance		
Rates, electricity and refuse	34 173 962	25 018 614
Rates		
Current (0 -30 days)	1 430 255	1 184 046
31 - 60 days	1 060 794	694 129
61 - 90 days	561 319	487 100
91 - 120 days	521 317	464 849
Greater than 120 days	25 466 216	20 959 085
	29 039 901	23 789 209
Electricity		
current (0-30days)	1 882 334	1 950 977
31 - 60 days	1 455 262	796 663
61 - 90 days	244 272	82 941
91 - 120 days	155 007	96 905
Greater than 120 days	847 997	942 464
	4 584 872	3 869 950
Refuse		
Current (0 -30 days)	412 865	383 207
31 - 60 days	376 409	310 517
61 - 90 days	276 620	253 627
91 - 120 days	271 315	264 010
Greater than 120 days	29 125 037	24 800 689
	30 462 246	26 012 050
Other		
Current (0 -30 days)	134 268	130 037
31 - 60 days	118 522	115 141
61 - 90 days	110 002	101 679
91 - 120 days	103 235	98 780
121 - 365 days	5 492 308	4 587 925
	5 958 335	5 033 562

Summary of debtors by customer classification

uPhongolo Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
11. Consumer debtors (continued)		
Household		
Current (0 -30 days)	1 249 477	1 195 433
31 - 60 days	990 708	1 667 312
61 - 90 days	620 655	805 052
91 - 120 days	609 232	804 353
121 - 365 days	51 038 956	44 868 342
	54 509 028	49 340 492
Industrial/ commercial		
Current (0 -30 days)	1 935 837	151 147
31-60 days	1 461 474	210 810
61 - 90 days	248 203	101 788
91 - 120 days	153 700	101 700
121 - 365 days	2 516 657	5 673 009
	6 315 871	6 238 454
National and provincial government		
Current (0 -30 days)	201 156	27 481
31 - 60 days	128 032	38 329
61 - 90 days	82 561	18 507
91 - 120 days	67 267	18 491
121 - 365 days	2 317 766	1 031 457
	2 796 782	1 134 265
Other		
Current (0 -30 days)	473 252	-
31-60 days	430 771	-
61 - 90 days	240 795	-
91 - 120 days	220 675	-
121 - 365 days	5 058 178	-
	6 423 671	-
Reconciliation of allowance for impairment		
Balance at beginning of the year	(33 686 159)	(33 380 019)
Contributions to allowance	(2 185 231)	(21 263 218)
Reversal of allowance	-	20 957 078
	(35 871 390)	(33 686 159)

12. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	574	3 267
Bank balances	528 155	7 768 973
Short-term deposits	22 872 999	8 403 058
	23 401 728	16 175 298

The reconciling difference in the table below relates to petty cash float.

uPhongolo Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R			2012 R		
12. Cash and cash equivalents (continued)						
The municipality had the following bank accounts						
Account number / description	Bank statement balances			Cash book balances		
	30 June 2013	30 June 2012	30 June 2011	30 June 2013	30 June 2012	30 June 2011
FNB Main Cheque account - 62027530858	188 534	7 385 712	2 980 098	188 534	7 437 712	3 197 926
Nedbank Call Deosit MIG 03/7165014950/000001	549 356	525 091	-	549 356	525 091	-
Standard Bank Money market call-068686234-001	86 129	1 036 836	-	86 129	1 036 836	-
Standard Bank Money market call-068686234-002	977 373	3 514 696	-	977 373	3 514 696	-
FNB Money market - 620321378938	333	651 847	1 047 690	333	652 427	1 047 690
FNB Public sector cheque - 62050989642	-	-	126	-	-	-
FNB Money market - 62230436405	11 030	10 950	10 840	11 030	10 950	10 840
Standard bank - 068686234-003	1 316	-	-	1 316	-	-
Standard bank - 068686234-004	439 835	-	-	439 835	-	-
FNB Money market - 62136676551	-	-	740 560	-	-	740 560
FNB Public sector cheque - 62204162870	2 157	(2 677)	2 710	2 157	(2 677)	2 710
Nedbank call depositFMG- 03/7165014950/000002	28 244	1 452 325	-	28 244	1 452 325	-
Absa Cheque-3210144705	-	54 804	31 332	-	54 804	31 332
Absa Call - 9057789072	-	19 051	18 515	-	19 051	18 515
FNB -- 62375357186	11 094	-	-	11 094	-	-
FNB call account - 62253771896	1 919	1 929	1 017	1 919	1 929	1 017
Money market Account- 62136676460	-	70 158	8 555 809	-	70 158	8 555 809
RMB Unit Trust RU-500758420	-	5 370	5 370	-	-	5 370
FNB - 62375342377	712 979	-	-	712 979	-	-
FNB - 62377992104	10 059	-	-	10 059	-	-
FNB - 62380902017	267 423	-	-	267 423	-	-
FNB - 62389553085	2 746 353	-	-	2 746 353	-	-
FNB - 62389564024	3 051 504	-	-	3 051 504	-	-
FNB - 62389585286	3 051 504	-	-	3 051 504	-	-
FNB - 62389586507	3 051 504	-	-	3 051 504	-	-
FNB - 62404561377	48 442	-	-	48 442	-	-
FNB - 62404287345	6 052 128	-	-	6 052 128	-	-
FNB - 62417482289	100 000	-	-	100 000	-	-
FNB - 62417484235	400 000	-	-	400 000	-	-
FNB - 62417486190	525 000	-	-	525 000	-	-
Business Fixed Maturity Notice- 74277775457	-	-	17 958	-	-	17 958
Business Maturity Notice- 74279242397	-	-	251 509	-	-	25 109
Glacier Portfolio- 3144953	-	-	74 372	-	-	74 372
Money Market Account- 62290207234	-	64 871	472 043	-	64 871	472 043
Money Market investment- 62305239718	749 234	1 050 182	1 009 969	749 234	1 026 121	1 018 420
Business 32 Day Interest Plus Acc- 74275780911	337 702	307 737	185 479	337 702	307 737	185 479
Total	23 401 152	16 148 882	15 405 397	23 401 152	16 172 031	15 405 150

uPhongolo Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
13. Finance lease obligation		
Minimum lease payments due		
- within one year	1 412 340	1 405 241
- in second to fifth year inclusive	1 271 819	2 576 274
Present value of minimum lease payments	2 684 159	3 981 515
Non-current liabilities	1 271 819	2 005 128
Current liabilities	1 412 340	1 405 241
	2 684 159	3 410 369

The instalment sale agreements are with Absa bank for the purchase of machinery and equipment and bear interest at 8.5% per annum. The loans are repayable on a monthly basis and the final is due on 30 April 2014. The liability is secured against vehicles with a cost price of R3,643,904.

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Planning and development grant	47 621	47 621
Admin capacity building grant	205 686	205 686
Synergistic partnerships (Traditional council)	123 104	123 104
Strategic support grant	93 848	93 848
Integration and Reds grant	98 000	98 000
Housing SP Comm gardens	72 864	72 864
Municipal system implementation grant	-	1 078 652
Valuation roll grant	-	960 788
Municipal infrastructure grant	3 680 788	520 000
Tourism grant	290 862	290 862
LED Flea Market Grant	3 660 022	2 417 631
Pound grant	490 490	777 535
Integrated National Electrification Programme grant	(13 477 233)	(1 341 308)
Small Town Improvement Grant	3 000 000	-
Cultural village grant	3 000 000	-
Expanded Public Works Programme grant	822 604	-
Thusong Centre Operational grant	308 923	-
Sports facility grant	525 000	-
Corridor development programme	3 000 000	-
MDPCD	100 000	100 000
	6 042 579	5 445 283

See note for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

uPhongolo Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
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15. Provisions

Reconciliation of provisions - 2013

	Opening Balance	Additions	Total
Restoration of landfill site	3 677 810	183 890	3 861 700
Performance bonus	650 255	150 435	800 690
Provision for long services	-	336 808	336 808
	4 328 065	671 133	4 999 198

Reconciliation of provisions - 2012

	Opening Balance	Additions	Total
Restoration of landfill site	1 835 000	1 842 810	3 677 810
Performance bonus	399 008	251 247	650 255
	2 234 008	2 094 057	4 328 065

Non-current liabilities	3 861 700	3 677 810
Current liabilities	1 137 498	650 255
	4 999 198	4 328 065

Rehabilitation costs were calculated based on the following assumptions:

- An annual inflation rate of 5% has been used to calculate the provision
- As the municipality does not have a permit, the licence fee is included in the provision
- an allowance has been made for replacement of fencing and access gate
- Leachate control is required
- cost of New Class B liner
- Area of rehabilitation measured from GPS
- Post closure monitoring costs included

16. External loans

External loans - Non current portion	845 280	2 430 134
External loans - Current portion	1 234 524	1 059 097
	2 079 804	3 489 231

Refer to Appendix A for schedule of external loans.

uPhongolo Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
17. Trade and other payables		
Trade payables	8 455 476	7 748 146
Payments received in advanced	-	2 274 202
Sundry Creditors	1 776 866	-
Accrued leave pay	2 248 871	2 033 918
Accrued payroll expenses	29 728	49 974
Deposits received	1 221 352	4 634 268
Sundry creditors	-	40 670
Retention payable	736 444	1 368 537
Eskom current liability	1 763 696	2 519 939
	16 232 433	20 669 654

18. VAT payable

Tax refunds payables	3 757 888	4 233 724
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19. Revenue

Service charges	28 899 899	23 233 567
Rental of facilities and equipment	577 763	394 131
Interest received (trading)	3 281 996	2 797 003
Income from agency services	706 038	610 332
Licences and permits	2 142 991	2 330 089
Donated assets	-	17 000
Rates	2 991 520	659 565
Fines	329 496	188 870
Interest received - investment	1 043 223	1 068 721
Property rates	14 051 255	10 952 387
Government grants & subsidies	85 101 910	82 224 387
	139 126 091	124 476 052

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	28 899 899	23 233 567
Rental of facilities and equipment	577 763	394 131
Interest received (trading)	3 281 996	2 797 003
Income from agency services	706 038	610 332
Licences and permits	2 142 991	2 330 089
Donated assets	-	17 000
Sundry income	2 991 520	659 565
Fines	329 496	188 870
Interest received - investment	1 043 223	1 068 721
	39 972 926	31 299 278

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue		
Property rates	14 051 255	10 952 387
Transfer revenue		
Government grants and subsidies	85 101 910	82 224 387
	99 153 165	93 176 774

uPhongolo Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
20. Property rates		
Rates received		
Residential	4 288 741	3 785 548
Commercial	4 304 456	4 014 508
Other	5 458 058	3 152 331
	14 051 255	10 952 387

Valuations

Government	48 606 000	48 606 000
Commercial	1 572 140 580	1 572 140 580
Residential	532 267 000	532 267 000
Other	173 622 000	173 622 000
	2 326 635 580	2 326 635 580

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 2 July 2008. Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

21. Service charges

Sale of electricity	23 480 907	18 308 953
Refuse removal	4 409 681	3 967 078
Other service charges	1 009 311	957 536
	28 899 899	23 233 567

uPhongolo Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
22. Government grants and subsidies		
Operating grants		
Equitable share	59 786 000	52 612 001
Government grant (operating)	3 532 164	3 816 710
	63 318 164	56 428 711
Capital grants		
Government grant (capital)	21 783 746	25 795 676
	21 783 746	25 795 676
	85 101 910	82 224 387

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Planning and development grant

Balance unspent at beginning of year	47 621	47 621
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities (see note 14)	47 621	47 621

Financial management grant

Balance unspent at beginning of year	-	519 761
Current year	1 500 000	1 450 000
Conditions met - transferred to revenue	(1 500 000)	(1 358 761)
Surrendered	-	(611 000)
Conditions still to be met - remain liabilities (see note 14)	-	-

The purpose of this grant is to promote and support reforms in financial management by building capacity to implement the Municipal Finance Management Act (MFMA).

Admin capacity building grant

Balance unspent at beginning of year	205 686	205 686
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities (see note 14)	205 686	205 686

Synergistics partnerships (Traditional council)

Balance unspent at beginning of year	123 104	325 506
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(202 402)
Conditions still to be met - remain liabilities (see note 14)	123 104	123 104

Pongolo Poort reserve grant

Balance unspent at beginning of year	-	90 988
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(90 988)
	-	-

uPhongolo Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
22. Government grants and subsidies (continued)		
Strategic support grant		
Balance unspent at beginning of year	93 848	93 848
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities (see note 14)	93 848	93 848
Integration and Reds grant		
Balance unspent at beginning of year	98 000	98 000
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities (see note 14)	98 000	98 000
Housing SP Comm Gardens		
Balance unspent at beginning of year	72 864	72 864
Current-year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities (see note 14)	72 864	72 864
Municipal systems implementation grant		
Balance unspent at beginning of year	1 078 652	1 415 381
Current-year receipts	800 000	1 000 000
Conditions met - transferred to revenue	(800 000)	(602 729)
Other	(1 078 652)	(734 000)
Conditions still to be met - remain liabilities (see note 14)	-	1 078 652
Valuation Roll grant		
Balance unspent at beginning of year	960 788	1 097 173
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(136 385)
Other	(960 788)	-
Conditions still to be met - remain liabilities (see note 14)	-	960 788
Municipal infrastructure grant		
Balance unspent at beginning of year	520 647	520 647
Current-year receipts	20 317 000	16 793 000
Conditions met - transferred to revenue	(16 690 212)	(16 793 000)
Adjustments and transfers	(520 647)	-
Conditions still to be met - remain liabilities (see note 14)	3 680 786	520 647
This grant is used to construct basic municipal infrastructure to provide basic services for the benefit of poor households. Other than the unspent amount, the conditions of the grant were met and no funds have been withheld. An amount of R520000 was recovered by National Treasury for unspent portion of 2010/11.		
Tourism grant - Candover info and craft centre		
Balance unspent at beginning of year	290 862	531 681

uPhongolo Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
22. Government grants and subsidies (continued)		
Current-year receipts	-	-
Conditions met - transferred to revenue	-	(240 819)
Conditions still to be met - remain liabilities (see note 14)	290 862	290 862

Corridor Development Programme

Balance unspent at beginning of year	-	-
Current-year receipts	3 000 000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities (see note 14).	3 000 000	-

The purpose of the grant is to construct the sub-rank facility in uPhongolo town.

LED Flea Market Grant

Balance unspent at beginning of year	2 417 631	2 417 631
Current-year receipts	2 700 000	-
Conditions met - transferred to revenue	(1 457 609)	-
Conditions still to be met - remain liabilities (see note 14).	3 660 022	2 417 631

This grant is used for the construction of the flea market.

Pound grant

Balance unspent at beginning of year	808 381	1 000 000
Current-year receipts	-	-
Conditions met - transferred to revenue	(317 891)	-
Other	-	(191 619)
Conditions still to be met - remain liabilities (see note 14).	490 490	808 381

This grant was provided in order to construct a pound in the uPhongolo Municipal area.

Integrated electrification programme grant

Balance unspent at beginning of year	(1 341 308)	8 474 463
Current-year receipts	-	-
Conditions met - transferred to revenue	(3 635 925)	(9 815 771)
Recovered by National Treasury	(8 500 000)	-
Conditions still to be met - remains in debtors (see note 14).	(13 477 233)	(1 341 308)

The purpose of this grant is to address the electrification backlog of occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electricity infrastructure in order to improve quality of supply. An amount of R8.5 million was recovered by National Treasury as the municipality failed to apply for a roll-over of unspent funds in 2010/11.

Small Town Improvement Grant

Balance unspent at beginning of year	-	-
Current-year receipts	3 000 000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities (see note 14).	3 000 000	-

The purpose of this grant is to install street lights and high masts in uPhongolo Town.

uPhongolo Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
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22. Government grants and subsidies (continued)

Cultural village grant

Current-year receipts	3 000 000	-
Conditions met - transferred to revenue	-	-
Other	-	-
Conditions still to be met - remain liabilities (see note 14).	3 000 000	-

The purpose of the grant is to construct the Imbube Cultural Village to take advantage of Route 66 as part of investment strategy to boost tourism in uPhongola.

Expanded Public Works Programme grant

Current-year receipts	1 000 000	-
Conditions met - transferred to revenue	(177 396)	-
Conditions still to be met - remain liabilities (see note 14).	822 604	-

The purpose of this grant is to increase job-creation efforts in infrastructure, environment and culture programmes through the use of labour - intensive methods.

Thusong centre operational grant

Current-year receipts	400 000	-
Conditions met - transferred to revenue	(91 077)	-
Conditions still to be met - remain liabilities (see note 14).	308 923	-

Sports facility grant

Balance unspent at beginning of year	-	-
Current-year receipts	525 000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - remain liabilities (see note 14).	525 000	-

The purpose of grant is to upgrade the sports facility at Ncotshane Township.

23. Other revenue

Donated assets	-	17 000
Other income	2 991 520	659 565
Fines	329 496	188 870
	3 321 016	865 435

uPhongolo Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
24. General expenses		
Audit committee fees	149 108	11 020
Advertising	602 131	207 776
Auditors remuneration	2 426 324	1 726 895
Bank charges	102 757	210 136
Cleaning	211 017	530 297
Consulting and professional fees	3 124 298	3 017 127
Obsolete inventory	-	35 312
Entertainment	176 527	35 713
Hire	366 650	1 207 295
Insurance	1 273 435	687 776
Lease rentals on operating lease	742 198	680 171
Promotions and sponsorships	1 781 492	847 101
Motor vehicle expenses	576 560	148 344
Fuel and oil	1 049 298	496 148
Postage and courier	30 624	36 607
Printing and stationery	589 639	443 711
Protective clothing	82 709	188 454
Security (Guarding of municipal property)	84 900	115 500
Subscriptions and membership fees	(13 161)	139 358
Telephone and fax	801 540	573 399
Training	235 738	184 869
Travel - local	2 594 455	1 604 170
Refuse	128 650	39 021
Sewerage and waste disposal	-	12 094
Water	160 765	228 479
Charges: Property rates	-	10 736
Distribution network	396 602	260 931
Shared service DPSS	68 250	115 489
Public participation	273 539	871 362
	18 016 045	14 665 291

25. Operating surplus

Operating surplus for the year is stated after accounting for the following:

Operating lease charges

Equipment		
• Contractual amounts	742 198	680 171
Gain on sale of investment property	-	646 112
Impairment on property, plant and equipment	340 220	-
Amortisation on intangible assets	36 344	-
Depreciation on property, plant and equipment	3 938 682	2 973 961
Employee costs	39 770 953	33 674 077

uPhongolo Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
26. Employee related costs		
Basic	23 200 427	19 262 854
Bonus	1 472 045	1 166 883
Medical aid - company contributions	1 267 662	985 868
UIF	239 143	207 348
WCA	1 003 758	-
SDL	336 487	384 963
Pension contributions	1 936 688	1 693 582
Overtime payments	2 326 660	2 386 761
Acting allowances	378 986	436 127
Car allowance	436 216	525 920
Housing benefits and allowances	30 000	25 338
Cellphone allowance	63 616	24 696
Group Life	63 777	64 344
Vehicle subsidy	1 006 917	645 692
Industrial Council	11 938	21 708
	33 774 320	27 832 084
Remuneration of municipal manager		
Annual Remuneration	266 667	270 119
Telephone Allowance	4 000	12 400
Reimbursements	17 544	-
Contributions to UIF, Medical, Pension Funds and Bargaining levy	3 309	5 318
Allowance	700	34 441
Travel Allowance	-	86 439
Backpay	-	55 843
	292 220	464 560
Remuneration of chief finance officer		
Annual Remuneration	689 353	-
Reimbursement	44 584	-
Contributions to UIF, Medical and Pension Funds	7 346	-
Cellphone allowance	1 000	-
	742 283	-
Remuneration of technical manager		
Annual Remuneration	277 890	167 718
Travel allowance	-	35 016
Reimbursements	16 894	-
Contributions to UIF, Medical and Pension Funds	3 427	3 206
Allowance	-	17 770
Telephone allowance	2 000	2 693
Leave	-	27 145
	300 211	253 548

uPhongolo Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
26. Employee related costs (continued)		
Remuneration of corporate service manager		
Annual Remuneration	469 230	350 018
Acting Allowance	112 500	-
Leave	91 360	52 599
Contributions to UIF, Medical and Pension Funds	9 312	6 552
Allowance	-	44 210
Telephone Allowance	5 658	6 895
Travel Allowance	137 058	110 724
Reimbursements	108 475	48 230
	933 593	619 228

Remuneration of community services manager

Annual Remuneration	505 856	335 911
Travel Allowance	98 466	113 081
Reimbursements	47 219	26 893
Contributions to UIF, Medical and Pension Funds, industrial council, SDL	7 683	7 127
Acting allowance	34 724	69 449
Allowance	4 158	28 609
Leave	83 884	50 452
	781 990	631 522

27. Remuneration of councillors

Mayor	348 290	371 653
Deputy Mayor	280 982	310 428
Executive Committee Members	780 992	797 720
Speaker	489 516	361 458
Councillors	4 096 853	2 707 373
	5 996 633	4 548 632

In-kind benefits

The Speaker is full time. The Mayor and Speaker each is provided with an office and secretarial support at the cost of Council. The Mayor has use of a Council vehicle and driver for official duties.

28. Debt impairment

Debt impairment	2 185 231	3 569 119
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29. Investment revenue

Interest revenue

Bank	1 043 223	1 068 721
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30. Depreciation and amortisation

Property, plant and equipment	3 938 682	2 874 732
Intangible assets	36 344	42 127
	3 975 026	2 916 859

uPhongolo Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
31. Finance costs		
Other interest paid	617 101	749 337
32. Auditors' remuneration		
Fees	2 426 324	1 726 895
33. Cash generated from operations		
Surplus	36 510 398	38 738 750
Adjustments for:		
Depreciation and amortisation	3 975 026	2 973 961
Loss on sale of assets and liabilities	-	(646 112)
Fair value adjustments	-	(16 610)
Impairment deficit	340 220	-
Debt impairment	2 185 231	3 569 119
Movements in retirement benefit assets and liabilities	70 526	126 799
Movements in provisions	671 133	91 750
Adjustments to accumulated surplus	-	(4 150 180)
Adjustments to accumulated surplus	(322 478)	-
Changes in working capital:		
Inventories	(5 129)	82 876
Trade and other receivables	43 555	(1 232 851)
Consumer debtors	(9 155 348)	(10 531 052)
Provisions	(671 133)	-
Trade and other payables	(4 437 221)	7 151 055
VAT	(475 836)	(1 457 918)
Unspent conditional grants and receipts	597 296	(7 311 501)
	29 326 240	27 388 086

uPhongolo Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
34. Commitments		
Authorised capital expenditure		
Approved and not yet contracted		
• Infrastructure - MIG	95 576 800	19 352 450
• Intergrated National Electrification Programme	35 000 000	8 000 000
• Other assets	22 272 500	4 305 000
• Small Town Development Programme	11 700 000	-
• Sports Facility	2 100 000	-
	166 649 300	31 657 450
Approved and contracted		
• Infrastructure - MIG	3 680 786	2 516 112
• Flea Market	11 700 000	2 417 631
• Integrated National Electrification Programme	14 000 000	-
	29 380 786	4 933 743
The expenditure will be financed from		
The expenditure will be financed from		
External loans	17 543 000	2 900 000
Government conditional grant	144 376 800	27 352 450
Internally generated funds	4 729 500	1 405 000
	166 649 300	31 657 450
Operating leases - as lessee (expense)		
Minimum lease payments due		
- within one year	444 768	444 768
- in second to fifth year inclusive	-	259 448
	444 768	704 216
<p>Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.</p>		
35. Contingencies		
<p>There are no contingent liabilities.</p>		
36. Prior period errors		
<p>The correction of the error(s) results in adjustments as follows:</p>		
Statement of financial position		
Property, Plant and Equipment	-	(2 261 782)
Trade receivables	-	18 055 580
Trade and other payables	-	1 592 669
Long term provisions	-	(1 751 060)
Statement of Financial Performance		
Decrease in debt impairment expenses	-	(20 957 078)
Increase in general expenses	-	4 494 167
Increase in contribution to leave expense	-	1 751 060

uPhongolo Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
--	-----------	-----------

37. Comparative figures

Certain comparative figures have been reclassified.

The effects of the reclassification has been reflected on the note for prior period errors.

38. Events after the reporting date

Subsequent to year end one of the houses owned by the municipality was destroyed by fire. The house was insured and the amount recoverable from the insurance company amounts to R164 355.

39. Unauthorised expenditure

Fujitsu	-	562 741
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40. Fruitless and wasteful expenditure

Fraudulent S & T claim employee	-	1 310
Pongolo wholesalers	-	1 089
Fixtrade 341CC	-	1 402
Mikros Traffic Monitoring	-	1 084 000
Eskom	94 900	1 775
Telkom	5 365	972
Auditor general	14 167	2 891
Petco designs and signs	308	-
	114 740	1 093 439

The Municipality entered into a contract with Mikros Monitoring KZN from 01 December 2010 to 30 November 2013 for installing speed cameras on the road. The value of the contract was R1,083,000. The municipality was paying Mikros R108 000 including VAT every month. In view of the fact that there was no revenue generated from the project the Accounting Officer terminated the contract on 23 April 2012 before its due period. The municipality agreed to pay outstanding amounts of R270,750 over four month beginning end of April 2012 to July 2012.

41. Irregular expenditure

Opening balance	19 662 956	50 140
Irregular expenditure for current year	10 648 070	11 969 358
Irregular expenditure awaiting condonement	30 605 147	19 662 956

Awards to employees from other organisation of state

Ikhwezi L & L distance taxi association	-	760 400
Aros protection	-	2 517 980
	-	3 278 380

Details of irregular expenditure – current year

No contracts in place	658 000
Director of the company was in service of the state	3 838 023
Non-compliance with SCM procedures	222 576
No supporting documents for the invoices	35 505
Fraudulent claim	24 000
3 quotation not obtained	141 505
No valid contracts in place	4 938 322
Supplier performs consulting services as well	790 139
	10 648 070

uPhongolo Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
--	-----------	-----------

41. Irregular expenditure (continued)

The councilors referred the irregular, fruitless and wasteful expenditure to MPAC for investigation.

42. Distribution losses

Distribution losses

Electrical distribution losses	5 614 051	1 092 352
--------------------------------	-----------	-----------

The municipality purchased 30 274 396 units (2012: 35 925 808) units from Eskom but only sold 24 660 345 (2012: 34 833 455) units to consumers. This represents a loss of 5 614 051 (2012: 1 092 352) units representing a percentage of 18.5% (2012: 3.04%). The loss is as a result of replacing business meters and departmental meters, line losses and transformer losses.

Material losses through criminal conduct

Total amount to be recovered	-	70 509
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The case is in respect of the official that was found guilty of presenting fraudulent qualification upon applying for the position of being a Trainee Traffic Officer. The costs to be recovered include the salary paid to the employee, college training fees, verification fees, accommodation costs incurred and the cost of the uniform

43. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Current year fee	427 500	400 000
Amount paid - current year	(427 500)	(400 000)
	-	-

Audit fees

Current year fee	2 418 221	2 219 131
Amount paid - current year	(2 418 221)	(2 219 131)
	-	-

PAYE and UIF

Amount raised (PAYE)	4 311 370	3 579 136
Amount raised (UIF)	427 609	439 832
Amount paid (PAYE)	(4 311 370)	(3 579 136)
Amount paid (UIF)	(427 609)	(439 832)
	-	-

Pension and Medical Aid Deductions

Amount raised (Pension)	2 866 177	2 646 261
Amount raised (Medical Aid)	1 948 442	1 488 982
Amount paid (Pension)	(2 866 177)	(2 646 261)
Amount paid (Medical Aid)	(1 948 442)	(1 488 982)
	-	-

uPhongolo Municipality

Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

	2013 R	2012 R
--	-----------	-----------

43. Councillors' arrear consumer accounts (continued)

VAT

VAT payable	3 757 888	4 233 724
-------------	-----------	-----------

The municipality is on the payment basis of VAT as a result VAT payable represents future liability for VAT which will become payable once the receivables have been collected.

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2013:

30 June 2013	90 days	120 days	Total R
Cllr NJ Mkhwanazi	316	12 003	12 319
Cllr KE Nxumalo	348	16 841	17 189
Cllr ZL Nxumalo	110	2 600	2 710
	774	31 444	32 218

30 June 2012	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Councillor CN Mavundla	348	10 927	11 275
Councillor NJ Mkhwanazi	894	15 689	16 583
Councillor KE Nxumalo	346	-	346
Councillor KE Nxumalo	985	13 040	14 025
	2 573	39 656	42 229

44. Actual operating expenditure versus budgeted operating expenditure

Refer to Appendix E(1) for the comparison of actual operating expenditure versus budgeted expenditure.

Appendix A

Schedule of external loans as at 30 June 2010

Loan Number	Redeemable	Balance at 30 June 2012	Received during the period	Redeemed written off during the period	Balance at 30 June 2013	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Loan Stock		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Structured loans		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Funding facility		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Development Bank of South Africa		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-

Appendix A

Schedule of external loans as at 30 June 2010

Loan Number	Redeemable	Balance at 30 June 2012	Received during the period	Redeemed written off during the period	Balance at 30 June 2013	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
		-	-	-	-	-	-
		-	-	-	-	-	-
Bonds							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Other loans							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Lease liability							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Annuity loans							
		-	-	-	-	-	-
		-	-	-	-	-	-

Appendix A

Schedule of external loans as at 30 June 2010

[illegible]

Appendix B

Analysis of property, plant and equipment as at 30 June 2010

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Land and buildings

Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

Infrastructure

Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastrucur)	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	136 272	-	115 560	-	-	251 832	(20 326)	115 560	-	(386)	-	94 848	346 680
	136 272	-	115 560	-	-	251 832	(20 326)	115 560	-	(386)	-	94 848	346 680

Community Assets

Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B

Analysis of property, plant and equipment as at 30 June 2010

Cost/Revaluation						Accumulated depreciation							
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Heritage assets

Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

Specialised vehicles

Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

Other assets

General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

Total property plant and equipment

Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	136 272	-	115 560	-	-	251 832	(20 326)	115 560	-	(386)	-	94 848	346 680
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix B

Analysis of property, plant and equipment as at 30 June 2010

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
	136 272	-	115 560	-	-	-	251 832	(20 326)	115 560	-	(386)	-	94 848	346 680
Agricultural/Biological assets														
Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets														
Computers - software & programming	242	-	72	-	-	-	314	(133)	72	-	-	-	(61)	253
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	242	-	72	-	-	-	314	(133)	72	-	-	-	(61)	253
Investment properties														
Investment property	88 095	-	88 095	-	-	-	176 190	-	88 095	-	-	-	88 095	264 285
	88 095	-	88 095	-	-	-	176 190	-	88 095	-	-	-	88 095	264 285
Total														
Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	136 272	-	115 560	-	-	-	251 832	(20 326)	115 560	-	(386)	-	94 848	346 680
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	242	-	72	-	-	-	314	(133)	72	-	-	-	(61)	253
Investment properties	88 095	-	88 095	-	-	-	176 190	-	88 095	-	-	-	88 095	264 285
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	224 609	-	203 727	-	-	-	428 336	(20 459)	203 727	-	(386)	-	182 882	611 218

Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2010	
Cost/Revaluation	Accumulated Depreciation
<p>Land and buildings</p> <p>Cost</p> <p>Revaluation</p>	<p>Accumulated Depreciation</p>

[illegible]

Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2010

Cost/Revaluation						Accumulated Depreciation							
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-

Appendix D

	Prior Year	Current Year
Segmental Statement of Financial Performance for the year ended		

[illegible]

Appendix D

Segmental Statement of Financial Performance for the year ended

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
			Rand			
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-	Total	-	-	-

Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2013

	Current year 2013 Act. Bal.	Current year 2013 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand		
Revenue					
Government grants	85 101 910	96 647 000	(11 545 090)	(11.9)	(Explanations to be recorded)
Sale of goods in agricultural activities	-	-	-	-	
Rendering of services	-	-	-	-	
Rendering of services in agricultural activities	-	-	-	-	
Property rates	14 051 255	11 945 000	2 106 255	17.6	
Service charges	28 899 900	27 625 458	1 274 442	4.6	
	-	-	-	-	
Agency service	-	-	-	-	
Sales of housing	-	-	-	-	
Construction contracts	-	-	-	-	
Royalty income	-	-	-	-	
Rental of facilities and equipment	577 763	823 000	(245 237)	(29.8)	
Interest received (trading)	3 281 996	3 191 000	90 996	2.9	
Dividends received	-	-	-	-	
Income from agency services	706 038	644 000	62 038	9.6	
	-	-	-	-	
	-	-	-	-	
Licences and permits	2 142 991	2 192 000	(49 009)	(2.2)	
	-	-	-	-	
Municipal Revenue UD1	-	-	-	-	
Municipal Revenue UD2	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
Miscellaneous other revenue	-	-	-	-	
Administration and management fees received	-	-	-	-	
Fees earned	-	-	-	100.0	
Commissions received	-	-	-	-	
Royalties received	-	-	-	-	
Rental income	-	-	-	-	
Discount received	-	-	-	-	
Recoveries	-	-	-	-	
Other income	2 991 520	1 570 000	1 421 520	90.5	
Other income 2	-	-	-	-	
Financial instruments - Fee income	-	-	-	-	
Other income - (rollup)	-	-	-	-	
Fines	329 496	354 000	(24 504)	(6.9)	
Other farming income 2	-	-	-	-	
Other farming income 3	-	-	-	-	
Other farming income 4	-	-	-	-	
Other farming income	-	-	-	-	
Government grants	-	-	-	-	
Interest received - investment	1 061 733	1 244 498	(182 765)	(14.7)	
Interest received - other	-	-	-	-	
Dividends received	-	-	-	-	
	139 144 602	146 235 956	(7 091 354)	(4.8)	

Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2013

	Current year 2013 Act. Bal.	Current year 2013 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Expenses				
Personnel	(33 774 320)	(32 782 114)	(992 206)	3.0
Manufacturing - Employee costs	-	-	-	-
Remuneration of councillors	(5 996 633)	(5 804 375)	(192 258)	3.3
Contributions to provisions	(983 855)	(217 996)	(765 859)	351.3
Transfer payments	-	-	-	-
Depreciation	(3 970 112)	(3 619 937)	(350 175)	9.7
Impairment of assets	(340 220)	-	(340 220)	-
Amortisation	-	-	-	-
Impairments	-	-	-	-
Reversal of impairments	-	-	-	-
Finance costs	(617 101)	(950 502)	333 401	(35.1)
Transfers and grants	-	(3 553 753)	3 553 753	(100.0)
Collection costs	(255 056)	(210 220)	(44 836)	21.3
Repairs and maintenance	-	-	-	-
- Manufacturing expenses				
Repairs and maintenance	(5 728 630)	(5 884 104)	155 474	(2.6)
- General				
Repairs and maintenance	-	-	-	-
- General				
Bulk purchases	(19 834 892)	(19 555 824)	(279 068)	1.4
Contracted Services	(9 157 331)	(9 479 480)	322 149	(3.4)
Grants and subsidies paid	(1 751 354)	(9 479 480)	7 728 126	(81.5)
Cost of housing sold	-	-	-	-
General Expenses	(18 016 045)	(22 825 086)	4 809 041	(21.1)
Other (taken out of General expenses)	-	-	-	-
Debt impairment	(2 185 231)	(1 296 766)	(888 465)	68.5
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other revenue and costs	(102 610 780)	(115 659 637)	13 048 857	(11.3)
Gain or loss on disposal of assets and liabilities	-	-	-	-
Gain or loss on exchange differences	-	-	-	-
Fair value adjustments	-	-	-	-
Gains or losses on biological assets and agricultural produce	-	-	-	-
Income from equity accounted investments	-	-	-	-
Gain or loss on disposal of non-current assets held for sale or disposal groups	-	-	-	-
Taxation	-	-	-	-

Appendix E(1)

Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2013

	Current year 2013 Act. Bal.	Current year 2013 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Discontinued operations	-	-	-	-
Net surplus/ (deficit) for the year	36 533 822	30 576 319	5 957 503	19.5

Appendix E(2)

Budget Analysis of Capital Expenditure as at 30 June 2010

	Additions	Revised Budget	Variance	Variance	Explanation of significant variances from budget
	Rand	Rand	Rand	%	
Municipality					
Executive & Council/Mayor and Council	-	-	-	-	
Finance & Admin/Finance	-	-	-	-	
Planning and Development/Economic Development/Plan	-	-	-	-	
Health/Clinics	-	-	-	-	
Comm. & Social/Libraries and archives	-	-	-	-	
Housing	-	-	-	-	
Public Safety/Police	-	-	-	-	
Sport and Recreation	-	-	-	-	
Environmental Protection/Pollution Control	-	-	-	-	
Waste Water Management/Sewerage	-	-	-	-	
Road Transport/Roads	-	-	-	-	
Water/Water Distribution	-	-	-	-	
Electricity /Electricity Distribution	-	-	-	-	
Other/Air Transport	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
Municipal Owned Entities					
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
Other charges					
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
	-	-	-	-	

Appendix F
Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		Yes/ No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.

Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2013

	2013/2012								2012/2011						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue - Standard															
Governance and administration	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Executive and council	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Budget and treasury office	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Corporate services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Community and public safety	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Community and social services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Sport and recreation	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Public safety	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Housing	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Health	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Economic and environmental services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Planning and development	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Road transport	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Environmental protection	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Trading services	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Electricity	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Water	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Waste water management	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Waste management	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Total Revenue - Standard	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-

Appendix G1
Budgeted Financial Performance (revenue and expenditure by standard classification)
for the year ended 30 June 2013

2013/2012										2012/2011					
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome	
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	
Expenditure - Standard															
Governance and administration	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Executive and council	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Budget and treasury office	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Corporate services	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Community and public safety	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Community and social services	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Sport and recreation	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Public safety	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Housing	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Health	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Economic and environmental services	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Planning and development	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Road transport	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Environmental protection	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Trading services	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Electricity	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Water	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Waste water management	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Waste management	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Other	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Other	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Total Expenditure - Standard	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Surplus/(Deficit) for the year	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	

Appendix G2

Budgeted Financial Performance (revenue and expenditure by municipal vote) for the year ended 30 June 2013

2013/2012											2012/2011				
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA Rand	Balance to be recovered Rand	Restated Audited Outcome Rand	
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand		Rand	Rand	
Revenue by Vote															
Example 1 - Vote1	-	-	-	-		-		-	DIV/0 %	DIV/0 %				-	
Example 2 - Vote2	-	-	-	-		-		-	DIV/0 %	DIV/0 %				-	
Example 3 - Vote3	-	-	-	-		-		-	DIV/0 %	DIV/0 %				-	
Example 4 - Vote4	-	-	-	-		-		-	DIV/0 %	DIV/0 %				-	
Example 5 - Vote5	-	-	-	-		-		-	DIV/0 %	DIV/0 %				-	
Example 6 - Vote6	-	-	-	-		-		-	DIV/0 %	DIV/0 %				-	
Example 7 - Vote7	-	-	-	-		-		-	DIV/0 %	DIV/0 %				-	
Example 8 - Vote8	-	-	-	-		-		-	DIV/0 %	DIV/0 %				-	
Example 9 - Vote9	-	-	-	-		-		-	DIV/0 %	DIV/0 %				-	
Example 10 - Vote10	-	-	-	-		-		-	DIV/0 %	DIV/0 %				-	
Example 11 - Vote11	-	-	-	-		-		-	DIV/0 %	DIV/0 %				-	
Example 12 - Vote12	-	-	-	-		-		-	DIV/0 %	DIV/0 %				-	
Example 13 - Vote13	-	-	-	-		-		-	DIV/0 %	DIV/0 %				-	
Example 14 - Vote14	-	-	-	-		-		-	DIV/0 %	DIV/0 %				-	
Example 15 - Vote15	-	-	-	-		-		-	DIV/0 %	DIV/0 %				-	
Total Revenue by Vote	-	-	-	-		-		-	DIV/0 %	DIV/0 %				-	
Expenditure by Vote to be appropriated															
Example 1 - Vote1	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Example 2 - Vote2	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Example 3 - Vote3	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Example 4 - Vote4	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Example 5 - Vote5	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Example 6 - Vote6	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Example 7 - Vote7	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Example 8 - Vote8	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Example 9 - Vote9	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Example 10 - Vote10	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Example 11 - Vote11	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Example 12 - Vote12	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Example 13 - Vote13	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Example 14 - Vote14	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Example 15 - Vote15	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Total Expenditure by Vote	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-	
Surplus/(Deficit) for the year	-	-	-	-		-		-	DIV/0 %	DIV/0 %				-	